

## Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 AGR-05 INT-05 /088 W  
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R 221414Z MAY 75

FM AMEMBASSY KINGSTON

TO SECSTATE WASHDC 7790

LIMITED OFFICIAL USE SECTION 1 OF 2 KINGSTON 1989

EO 11652: N/A

TAGS: EFIN, JM

SUBJECT: GOJ BUDGET DEBATE BEGINS

REF: A 68 OF MAY 5, 1975

1. DEPUTY PRIME MINISTER AND FINANCE MINISTER COORE  
OPENED BUDGET DEBATE BY DISCUSSING GOJ'S PROGRAM FOR  
1975-76, ITS FINANCING, THE PERFORMANCE OF THE ECONOMY  
IN 1974, AND PNP ACHIEVEMENTS INCLUDING REDUCTION IN  
BOTH COST OF LIVING AND UNEMPLOYMENT. OPPOSITION SPEAKERS  
SHEARER AND SEAGA ARE EXPECTED TO REPLY THIS WEEK, AND  
DEBATE WILL BE TERMINATED BY PM MANLEY ON MAY 27 FOLLOWED  
BY FINANCE MINISTER COORE ON MAY 28. HIGHLIGHTS OF COORE  
SPEECH AS FOLLOWS:

1975-76 BUDGET (ALL FIGURES THROUGHOUT IN JAMAICAN DOLLARS)

2. THE TOTAL 1975-76 ESTIMATED EXPENDITURES ARE \$911  
MILLION, DIVIDED BETWEEN RECURRENT \$582 MILLION AND  
CAPITAL \$328 MILLION. THE RECURRENT BUDGET WOULD BE  
FINANCED FROM REVENUES (ALL SURCES) OF \$527 MILLION  
LEAVING A SHORTFALL OF \$54 MILLION TO BE PROVIDED FROM  
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THE BAUXITE PRODUCTION LEVY. THE CAPITAL BUDGET WOULD

BE FINANCED AS FOLLOWS: \$64 MILLION FROM LOCAL SOURCES  
\$40.7 MILLION FROM INSTITUTIONAL LENDERS \$137.5 MILLION  
FROM EXTERNAL SOURCES (OF WHICH APPROXIMATELY \$50 MILLION  
HAS ALREADY BEEN RAISED), \$70.5 FROM THE CAPITAL  
DEVELOPMENT FUND, \$8.5 MILLION FROM CAPITAL REVENUES, AND  
THE BALANCE OF \$7.5 MILLION FROM NEW TAXES.

### 3. NEW TAXES

TAX INCREASES FOR 75-76 WERE IMPOSED ON A NUMBER OF ITEMS  
BUT MAINLY ON LIQUOR, CIGARETTES, MOTOR VEHICLE LICENSES,  
AND TRAVELERS. THE TAX INCREASE ON MOTOR VEHICLE LICENSES  
RANGED FROM 25 TO 55 PERCENT, AND INCOME FROM THIS SOURCE  
WAS EXPECTED TO BE \$2.5 MILLION. THE TRAVEL (DEPARTURE) TAX  
WAS RAISED FROM \$2 TO \$5 AND REVENUE EXPECTED TO BE \$1.5  
MILLION. ADDITIONAL REVENUE FROM THE LIQUOR TAX INCREASE  
IS \$9.8 MILLION. TOTAL ADDITIONAL REVENUE FROM ALL  
INCREASES IS \$18.3 MILLION

### 4. INFLATION

ALTHOUGH THE CONSUMER PRICE INDEX FOR 1974 INCREASED BY 27  
PERCENT IN URBAN AND 32 PERCENT IN RURAL AREAS, THERE HAD  
BEEN A MARKED SLOWDOWN IN THE LAST QUARTER OF 1974; AND THE  
TARGET OF NO MORE THAN 4 PERCENT PER QUARTER HAD BEEN MET IN  
1975. THE AVERAGE INDEX FOR THE ISLAND FOR THE FIRST  
QUARTER OF 1975 WAS 2.75 PERCENT OR 11 PERCENT PER YEAR.

### 4. COMMISSION ON ECONOMIC STABILIZATION

TO MONITOR WAGES AND PRICES, THE GOJ WOULD ESTABLISH A  
COMMISSION FOR ECONOMIC STABILIZATION WHICH WOULD CONSIST  
OF A THREE-MAN BOARD AND A PANEL WITH REPRESENTATIVES  
FROM UNIONS, EMPLOYERS, AND OTHER GROUPS. HE SAID:  
"IT MUST BE CLEARLY UNDERSTOOD THAT SUBJECT TO THE REQUIRE-  
MENTS OF THE MINIMUM WAGE LAW, ANY EMPLOYER WHO GRANTS WAGES  
BEYOND WHAT IS NECESSARY TO SUSTAIN THE LEVEL OF REAL EARNINGS,  
PLUS INCREASED AMOUNT FOR THE PURPOSE OF INCREASING  
PRODUCTIVITY, IS NOT GOING TO BE ALLOWED TO PASS ON THE  
EXCESS TO THE CONSUMER IN THE FORM OF HIGHER PRICES FOR  
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GOODS AND SERVICES. ENTERPRISES AND TRADE UNIONS WHO  
IGNORE THIS WARNING ARE LIKELY TO FIND THAT THEY HAVE PUT,  
IN THE ONE CASE, THEMSELVES OUT OF BUSINESS AND, IN THE  
OTHER CASE, THEIR MEMBERS OUT OF WORK." COORE ANNOUNCED  
AT THE BEGINNING OF HIS 4-5 HOUR SPEECH THAT THE PROMISED  
INCEEASE IN SALAREIS TO CIVIL SERVANTS ABOVE \$11,000  
PER YEAR WOULD NOT BE IMPLEMENTED EXCEPT FOR POLICE  
AND ARMY

5. 1974-75 BUDGET

TOTAL EXPENDITURES WERE \$170.8 MILLION, \$503 MILLION RECURRENT AND \$207.8 MILLION CAPITAL. COMPARED WITH THE PREVIOUS YEAR, THIS REPRESENTED AN INCREASE OF 55 PERCENT IN THE TOTAL BUDGET, 48 PERCENT IN RECURRENT AND 78 PERCENT IN CAPITAL. THE CHIEF REASONS FOR THE INCREASE WERE INFLATION, PUBLIC SECTOR WAGE INCREASES, AND NEW GOVERNMENT PROGRAMS. THERE WAS ALSO A TOTAL SHORTFALL IN RECURRENT REVENUES OF \$23.7 MILLION, THE LARGEST OF WHICH WERE \$11.7 MILLION IN PROPERTY TAX REVENUES AND \$9.8 MILLION IN CONSUMPTION DUTIES AND SALES TAXES. TO HELP FINANCE THE DEFICIT, THE GOJ HAD TO UTILIZE \$85 MILLION FROM THE CAPITAL DEVELOPMENT FUND INSTEAD OF THE \$40 MILLION ORIGINALLY PLANNED.

6. 1974 ECONOMIC PERFORMANCE

DESPITE WORLD WIDE INFLATION AND SLOWDOWN IN ECONOMIC GROWTH, JAMAICA HAD TURNED IN A VERY CREDITABLE PERFORMANCE. THE TRADE DEFICIT HAD DECREASED, FOREIGN EXCHANGE HAD INCREASED BY \$54 MILLION, UNEMPLOYMENT HAD BEEN REDUCED FROM 23.6 PERCENT IN 1972 TO 20.5 PERCENT IN OCTOBER 1974, INFLATION HAD SLOWED TO 11 PERCENT, AND THE ECONOMY HAD GROWN HEWITT

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CEA-01 AGR-05 INT-05 /088 W

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R 221430Z MAY 75

FM AMEMBASSY KINGSTON

TO SECSTATE WASHDC 7791

LIMITED OFFICIAL USE SECTION 2 OF 2 KINGSTON 1989

IN REAL TERMS BY 4.3 PERCENT. THE TRADE DEFICIT HAD BEEN REDUCED FROM \$190 MILLION IN 1973 TO \$130.8 MILLION IN 1974. AS A RESULT OF IMPORT CONTROLS, REPATRIATION OF ASSETS, INCREASED EARNINGS FROM SUGAR, BAUXITE, AND ALUMINA, THE DEFICIT HAD BEEN MORE THAN OFFSET WITH THE RESULTING INCREASE IN FOREIGN EXCHANGE RESERVES. TOURISM INCREASED BY 3.5 PERCENT OVER 1973 AND FOREIGN EXCHANGE EARNINGS FROM THE INDUSTRY ROSE BY \$5 MILLION TO 121.2 MILLION. COMPARED TO MOST INDUSTRIALIZED COUNTRIES THAT WERE SHOWING NEGATIVE GROWTH RATES, JAMAICA SHOWED A GROWTH RATE IN REAL TERMS OF 4.3 PERCENT IN 1974 THE WORST YEAR IN THE WORLD ECONOMY IN 40 YEARS. COORE SAID THAT JAMAICA'S GROWTH RATE IN THE WORLD WIDE BOOM YEARS OF 1965-1971 RANGED FROM A LOW OF 4 PERCENT IN 1966 TO A HIGH OF 10 PERCENT IN 1970. THE 1974 ECONOMIC PERFORMANCE WAS ONE THE COUNTRY " COULD BE PROUD OF."

7. COMMENT: THE OPPOSITION WILL UNDOUBTEDLY FOCUS ON THE CLAIM THAT INFLATION HAS BEEN REDUCED (THE GOJ HAS RECENTLY STARTED TO USE A NEW INDEX), THE USE OF THE CAPITAL DEVELOPMENT FUND TO HELP FINANCE THE BUDGET DEFICIT AND ITS INFLATIONARY ASPECTS, AND COORE'S SUGGESTION THAT AN INCOMES POLICY IS NEEDED. ONE LIMITED OFFICIAL USE

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NEWSPAPER COMMENTED THAT THIS WAS UNLIKELY TO BE AN ELECTION YEAR SINCE NO TAX REDUCTIONS WERE ANNOUNCED. AS SOON AS AVAILABLE, COPIES OF COORE'S SPEECH, 1

775-76

FINANCIAL ESTIMATES, AND 1974 ECONOMIC AND SOCIAL SURVEY WILL BE FURNISHED ARA/CAR/J. HEWITT

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## Message Attributes

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